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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

E. HAROLD MUNN, JR.  
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May 10, 1993

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To the Secretary  
Federal Communications Commission  
20th and M Streets, NW  
Washington, DC 20554

Dear Madam Secretary:

Re: Petition for Rule Making

Enclosed you will find an original and five (5) copies of a petition for Rule Making or for a Notice of Inquiry. This is directed toward determining the adverse impact of Cable Television advertising on the AM and FM Broadcast Services.

An additional five (5) copies of the petition are included to permit circulation to the offices of the FCC Commissioners. This matter is of sufficient importance that the thrust of this request needs to be known at the policy making level.

If additional information is desired, please contact me.

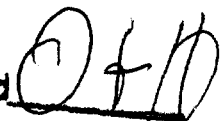
Sincerely yours,

  
E. Harold Munn, Jr.

EHM/cem

Enclosures

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MAY 18 1993

Before the  
**Federal Communications Commission**  
Washington, D.C. 20554  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the matter of:

Regulation of the Cable Television )  
and the Aural Broadcast Services )

Docket No. \_\_\_\_\_

To: The Full Commission )

Petition for Rule Making or for  
Notice of Inquiry

E. Harold Munn, Jr., hereby respectfully requests the Commission to institute either a Notice of Rule Making or a Notice of Inquiry to explore the impact of Cable Television advertising practices on the AM and FM Broadcast Services and to take appropriate action to insure that such practices do not destroy the viability of those services. In support thereof, it is alleged:

My name is E. Harold Munn, Jr., and my qualifications are known to the FCC. I have been an owner of both broadcast stations and cable television systems. I have been a consulting electronics engineer and, although I am currently retired from that profession, I continue to have a keen interest in both the broadcasting and cable industries. I file this petition to call the Commission's attention to a matter which urgently needs to be addressed but which, to my knowledge, has not been addressed by any other commentator.

Recently, the broadcasting industry has been in the throes of a massive recession. USA Today has published figures showing that, between 1990 and 1991, revenues of the radio broadcasting industry actually fell, in non-adjusted dollars, while revenues of the cable television industry rose by 12%. Published reports indicate that the FCC is considering a "freeze" on new FM stations, in the belief that the cause of the industry's problems is a proliferation of broadcast stations. FM growth is targeted as the causative factor.

In truth, the number of stations in the United States has been falling, not increasing. As a result of policies first adopted in late 1990, and codified in Section 73.3555 of the Commission's Rules in August, 1992, broadcasters are now permitted to control more than one station of the same class in any given market, either through outright ownership or through leases, which are euphemistically referred to as "LMA's" (Local Marketing Agreements).

According to Inside Radio, there have been 179 "duopoly deals" (deals in which one station is actually acquired, outright, by the owner of another station in the same market), since August, 1992. That means that where there were 368 competing stations before, there are only 179 now. For every "duopoly deal," there have been at least three LMA deals. Thus, in the short span of only about 10

months, approximately 1,500 competing stations have been involved in deals, so that there are only 750 (or fewer) competing entities where, formerly, there were 1,500. If the trend continues, where there were, perhaps 6,000 broadcast owners in 1992, there are likely to be only half that many within the next two years.

When an LMA deal is done, it is typical for the acquiring owner to immediately discharge most or all of the employees of the station which is acquired. That is done because, experience has shown, two stations can be operated with almost no more personnel or cost than it takes to run one station. It is reasonable to believe that between 3,000 and 4,000 jobs in the broadcast industry have been lost within the past 10 months as a result of station consolidations under LMA or other acquisition arrangements. That being so, it would be expected that, with the widespread consolidation that is taking place, broadcasters should be entering an era of great prosperity. However, that does not seem to be the case. Broadcasters, everywhere, are "crying the blues."

The problem, I believe, is the little noticed but devastating effect of competition from CATV advertising. Because the FCC Commissioners live in the area of Washington, D.C., where not every home has cable, they may be unaware of this phenomenon. Most CATV systems, however, are now equipped with sophisticated equipment which allows them to produce effective visual commercials, and automatically insert those commercials, on a rotating basis, among the several channels which allow such commercial interruptions. These channels include CNN, CNN Headline News, The Weather Channel, ESPN, and other very popular channels. Hence, a viewer cannot possibly escape exposure to the commercial messages.

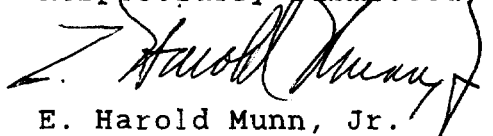
Unlike broadcasters, who have no source of income except the sale of advertising, CATV systems are subsidized by the revenues from their subscribers, who pay a monthly fee for the service. Therefore, CATV operators can, and do, charge considerably less for commercials than do their competitors in the aural broadcast services. Typically, a CATV system will produce a commercial announcement for a car dealer, featuring his picture or that of family members (his kids), and run the commercial for \$5.00 per insertion, which is less than the rate for a typical radio commercial. These commercials typically run on multiple channel saturation "sweeps," 24 hours per day, as called up by the automation unit.

Last year, the Congress passed a Cable Act, which requires and authorizes the FCC to regulate cable rates. Apparently, in implementing the Act, the FCC has not taken into account the impact of revenues from Cable advertising. The FCC should, however, take those revenues into account. To the extent that Cable operators benefit, financially, from such revenues, the benefits ought to be passed on to their subscribers, in the form of lower subscription rates.

I call upon the FCC to specifically focus on this question, either by proposed rule making or by a notice of inquiry. Requiring cable owners to pass through the revenues from advertising to their subscribers would bring about significant public benefits. If the CATV owners continued to sell advertising, subscriber rates would be reduced, in the public interest. If, on the other hand, as I suspect, such a regulation created a disincentive for CATV systems to sell local advertising, the public would still benefit. Subscribers would be exposed to fewer commercial interruptions and, more importantly, the revenues from such cable advertising would be returned to the pool available to local radio, thereby strengthening a traditional service which, otherwise, may go the way of the dinosaurs.

There is ample precedent for the Commission to intervene in this matter. When cable first began, the Commission enacted "must carry" and other regulations to protect "free TV." The Commission recognized the benefits of localism, and sought to see to it that cable did not destroy the local, advertiser-supported television system. What I suggest is simply that the Commission take similar measures to protect the local, advertiser-supported, radio system.

Respectfully submitted,

  
E. Harold Munn, Jr.

May 6, 1993

27 Parsons Court  
Coldwater, MI 49036